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Pork Powerhouses

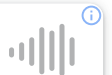
## PORK POWERHOUSES 2008: THE BIG SQUEEZE

By **Betsy Freese**

9/4/2008



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The U.S. pork industry is squeezing down, as one producer calls it. High input costs -- mainly in feed and energy -- have made survival, not profit, the short-term goal for many companies. Click here to see the [Pork Powerhouses list](#).

The 2008 Pork Powerhouses annual ranking shows total U.S. sow numbers for the largest 20 producers at 2.95 million, up from one year ago, but only by a pig's tail at 18,400 sows. That is less than one percent growth over the past year. Contrast that to four percent growth in 2007 and 16% growth in 2006.

"With today's prices for feed we are not in a hurry to grow any aspect of our business," says Joe Szaloky, director of financial planning and analysis with Murphy-Brown LLC, the production arm of Smithfield Foods, which tops the ranking. "Every penny change in corn price has a \$2 million impact to our bottom line."

Smithfield is down 7,000 sows from last year. On top of eliminating some old and inefficient farms, the company is "scrubbing the system and fixing the highest cost areas," says Szaloky. "We are focused on reducing the number of pigs that come off sow farms, and making sure the ones that come off are worthy of the investment in feed."

In past years, a company like Smithfield grew by acquisition. No purchases are in the works now, says Szaloky. "In this market, it's so difficult for buyers and sellers to come together. We feel like we are the right size. We bit off a big bite with Premium Standard Farms and we're still chewing that. We don't have an appetite for more."

Sow reductions for a giant like Smithfield don't come quickly. For one thing, says Szaloky, "it's increasingly difficult to get sows killed. We've talked about killing sows at Morrell, but it's not the type of meat we typically deal with."

In fact, he is not sure the company will continue to shrink. "We're not inclined to reduce any more. Our vertically integrated model puts us in a good position to wait it out," says Szaloky. "We feel like we can go a long time. We are positioning the business to be better performing when the industry turns. We have the funding to stay afloat longer than most people."

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